

A bill for an act

relating to retirement; amending certain Public Employees Retirement Association plan provisions; defining terms; adjusting contribution rates; modifying vesting requirements; adjusting interest rates; providing for postretirement adjustments; eliminating privatized hospital employee election; amending Minnesota Statutes 2008, sections 353.01, by adding a subdivision; 353.27, subdivision 3b; 353.29, subdivision 1; 353.30, subdivision 1c; 353.32, subdivisions 1, 1a; 353.34, subdivisions 1, 2, 3; 353.651, subdivisions 1, 4; 353.657, subdivisions 1, 2a; 353.71, subdivisions 1, 2; 353E.04, subdivisions 1, 4; 353E.07, subdivisions 1, 2; 353F.03; 356.215, subdivision 8; 356.30, subdivision 1; 356.47, subdivision 3; Minnesota Statutes 2009 Supplement, sections 353.27, subdivisions 2, 3; 353.33, subdivision 1; 353.65, subdivisions 2, 3; 356.415, subdivision 1, by adding a subdivision; repealing Minnesota Statutes 2008, section 353.34, subdivision 3a.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2008, section 353.01, is amended by adding a subdivision to read:

Subd. 47. **Vesting.** (a) "Vesting" means obtaining a nonforfeitable entitlement to an annuity or benefit from a retirement plan administered by the Public Employees Retirement Association by having credit for sufficient allowable service under paragraph (b) or (c), whichever applies.

(b) For purposes of qualifying for an annuity or benefit as a basic or coordinated plan member of the general employees retirement plan of the Public Employees Retirement Association:

(1) a member who first became a public employee before July 1, 2010, is vested when the person has accrued credit for not less than three years of allowable service as defined under subdivision 16; and

(2) a member who first becomes a public employee after June 30, 2010, is vested when the person has accrued credit for not less than five years of allowable service as defined under subdivision 16.

(c) For purposes of qualifying for an annuity or benefit as a member of the police and fire plan or a member of the local government correctional employees retirement plan:

(1) a member who first became a public employee before July 1, 2010, is vested when the person has accrued credit for not less than three years of allowable service as defined under subdivision 16; and

(2) a member who first becomes a public employee after June 30, 2010, is vested at the following percentages when the person has accrued credited allowable service as defined under subdivision 16, as follows:

(i) 50 percent after five years;

(ii) 60 percent after six years;

(iii) 70 percent after seven years;

(iv) 80 percent after eight years;

(v) 90 percent after nine years; and

(vi) 100 percent after ten years.

Sec. 2. Minnesota Statutes 2009 Supplement, section 353.27, subdivision 2, is amended to read:

Subd. 2. **Employee contribution.** (a) For a basic member, the employee contribution is 9.10 percent of salary. For a coordinated member, the employee contribution is ~~six percent~~ the following percentage of salary plus any contribution rate adjustment under subdivision 3b~~;~~:

<u>Effective before January 1, 2011</u>	<u>6.00</u>
<u>Effective after December 31, 2010</u>	<u>6.25</u>

(b) These contributions must be made by deduction from salary as defined in section 353.01, subdivision 10, in the manner provided in subdivision 4. If any portion of a member's salary is paid from other than public funds, the member's employee contribution must be based on the total salary received by the member from all sources.

Sec. 3. Minnesota Statutes 2009 Supplement, section 353.27, subdivision 3, is amended to read:

Subd. 3. **Employer contribution.** (a) For a basic member, the employer contribution is 9.10 percent of salary. For a coordinated member, the employer

contribution is ~~six percent~~ the following percentage of salary plus any contribution rate adjustment under subdivision 3b:

<u>Effective before January 1, 2011</u>	<u>6.00</u>
<u>Effective after December 31, 2010</u>	<u>6.25</u>

(b) This contribution must be made from funds available to the employing subdivision by the means and in the manner provided in section 353.28.

Sec. 4. Minnesota Statutes 2008, section 353.27, subdivision 3b, is amended to read:

Subd. 3b. **Change in employee and employer contributions in certain instances.**

(a) For purposes of this section:

(1) a contribution sufficiency exists if the total of the employee contribution under subdivision 2, the employer contribution under subdivision 3, the additional employer contribution under subdivision 3a, and any additional contribution previously imposed under this subdivision exceeds the total of the normal cost, the administrative expenses, and the amortization contribution of the retirement plan as reported in the most recent actuarial valuation of the retirement plan prepared by the actuary retained under section 356.214 and prepared under section 356.215 and the standards for actuarial work of the Legislative Commission on Pensions and Retirement. ~~For purposes of this section, and~~

(2) a contribution deficiency exists if the total of the employee contributions under subdivision 2, the employer contributions under subdivision 3, the additional employer contribution under subdivision 3a, and any additional contribution previously imposed under this subdivision is less than the total of the normal cost, the administrative expenses, and the amortization contribution of the retirement plan as reported in the most recent actuarial valuation of the retirement plan prepared by the actuary retained under section 356.214 and prepared under section 356.215 and the standards for actuarial work of the Legislative Commission on Pensions and Retirement.

(b) Employee and employer contributions under subdivisions 2 and 3 must be adjusted:

(1) if, on or after July 1, 2010, the regular actuarial ~~valuations~~ valuation of the general employees retirement plan of the Public Employees Retirement Association under section 356.215 ~~indicate~~ indicates that there is a contribution sufficiency under paragraph (a) ~~equal to or greater than 0.5~~ one percent of covered payroll and that the sufficiency has existed for at least two consecutive years, the coordinated program employee and employer contribution rates must be decreased as determined under paragraph (c) to a level such that the sufficiency ~~equals~~ is no more greater than 0.25 one percent of covered payroll based on the most recent actuarial valuation; or

(2) if, on or after July 1, 2010, the regular actuarial ~~valuations~~ valuation of the general employees retirement plan of the Public Employees Retirement Association under section 356.215 ~~indicate~~ indicates that there is a contribution deficiency equal to or greater than 0.5 percent of covered payroll and that the deficiency has existed for at least two consecutive years, the coordinated program employee and employer contribution rates must be increased as determined under paragraph (e) (d) to a level such that no deficiency exists based on the most recent actuarial valuation.

~~(c) The contribution rate increase or decrease must be determined by the executive director of the Public Employees Retirement Association, must be reported to the chair and the executive director of the Legislative Commission on Pensions and Retirement on or before the next February 1, and, if the Legislative Commission on Pensions and Retirement does not recommend against the rate change or does not recommend a modification in the rate change, is effective on the next July 1 following the determination by the executive director that a contribution deficiency or sufficiency has existed for two consecutive fiscal years based on the most recent actuarial valuations under section 356.215. If the actuarially required contribution exceeds or is less than the total support provided by the combined employee and employer contribution rates under subdivisions 2, 3, and 3a, by more than 0.5 one percent of covered payroll, the coordinated program employee and employer contribution rates under subdivisions 2 and 3 must be adjusted decreased incrementally over one or more years by no more than 0.25 percent of pay each for employee and employer matching contribution rates to a level such that there remains a contribution sufficiency of no more than 0.25 at least one percent of covered payroll. No contribution rate decrease may be made until at least two years have elapsed since any adjustment under this subdivision has been fully implemented.~~

~~(d) No~~ If the actuarially required contribution exceeds the total support provided by the combined employee and employer contribution rates under subdivisions 2, 3, and 3a, the employee and matching employer contribution rates must be increased equally to eliminate that contribution deficiency. If the contribution deficiency is:

(1) less than two percent, the incremental ~~adjustment~~ increase may ~~exceed~~ be up to 0.25 percent for either the coordinated program employee and matching employer contribution rates per year in which any adjustment is implemented. A contribution rate adjustment under this subdivision must not be made until at least two years have passed since fully implementing a previous adjustment under this subdivision;

(2) is greater than 1.99 percent and less than 4.01 percent, the incremental increase may be up to 0.5 percent for the employee and matching employer contribution rates; or

(3) greater than four percent, the incremental increase may be up to 0.75 percent for the employee and matching employer contribution.

(e) Any recommended adjustment to the contribution rates must be reported to the chair and the executive director of the Legislative Commission on Pensions and Retirement by January 15 following receipt of the most recent annual actuarial valuation prepared under section 356.215. If the Legislative Commission on Pensions and Retirement does not recommend against the rate change or does not recommend a modification in the rate change, the recommended adjustment becomes effective on the first day of the first full payroll period in the fiscal year following receipt of the most recent actuarial valuation that gave rise to the adjustment.

(f) A contribution sufficiency of up to one percent of covered payroll must be held in reserve to be used to offset any future actuarially required contributions that are more than the total combined employee and employer contributions under subdivisions 2, 3, and 3a.

(g) Before any reduction in contributions to eliminate a sufficiency in excess of one percent of covered pay may be recommended, the executive director must review any need for a change in actuarial assumptions, as recommended by the actuary retained under section 356.214 in the most recent experience study of the general employees retirement plan prepared under section 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement that may result in an increase in the actuarially required contribution and must report to the Legislative Commission on Pensions and Retirement any recommendation by the board to use the sufficiency exceeding one percent of covered payroll to offset the impact of an actuarial assumption change recommended by the actuary retained under section 356.214, subdivision 1, and reviewed by the actuary retained by the commission under section 356.214, subdivision 4.

(h) No contribution sufficiency in excess of one percent of covered pay may be proposed to be used to increase benefits, and no benefit increase may be proposed that would initiate an automatic adjustment to increase contributions under this subdivision. Any proposed benefit improvement must include a recommendation, prepared by the actuary retained under section 356.214, subdivision 1, and reviewed by the actuary retained by the Legislative Commission on Pensions and Retirement as provided under section 356.214, subdivision 4, on how the benefit modification will be funded.

Sec. 5. Minnesota Statutes 2008, section 353.29, subdivision 1, is amended to read:

Subdivision 1. **Age and allowable service requirements.** Upon termination of membership, a person who has attained normal retirement age and who ~~received credit for not less than three years of allowable service~~ is vested under section 353.01, subdivision

47, is entitled upon application to a retirement annuity. The retirement annuity is known as the "normal" retirement annuity.

Sec. 6. Minnesota Statutes 2008, section 353.30, subdivision 1c, is amended to read:

Subd. 1c. **Pre-July 1, 1989, members: early retirement.** Upon termination of public service, a person who first became a public employee or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, who has become at least 55 years old but not normal retirement age, and ~~has received credit for at least three years of allowable service~~ is vested under section 353.01, subdivision 47, is entitled, upon application, to a retirement annuity in an amount equal to the normal annuity provided in section 353.29, subdivision 3, paragraph (a), reduced by one-quarter of one percent for each month that the member is under normal retirement age at the time of retirement.

Sec. 7. Minnesota Statutes 2008, section 353.32, subdivision 1, is amended to read:

Subdivision 1. **Before retirement.** If a member or former member who terminated public service dies before retirement or before receiving any retirement annuity and no other payment of any kind is or may become payable to any person, a refund ~~shall be paid~~ is payable to the designated beneficiary or, if there be none, to the surviving spouse, or, if none, to the legal representative of the decedent's estate. ~~Such~~ The refund ~~shall~~ must be in an amount equal to accumulated deductions plus annual compound interest thereon at the rate ~~of six percent per annum compounded annually~~ specified in section 353.34, subdivision 2, and less the sum of any disability or survivor benefits, if any, that may have been paid by the fund; provided that a survivor who has a right to benefits ~~pursuant to~~ under section 353.31 may waive such benefits in writing, except such benefits for a dependent child under the age of 18 years may only be waived ~~pursuant to~~ under an order of the district court.

Sec. 8. Minnesota Statutes 2008, section 353.32, subdivision 1a, is amended to read:

Subd. 1a. **Surviving spouse optional annuity.** (a) If a member or former member who ~~has credit for not less than three years of allowable service~~ is vested under section 353.01, subdivision 47, and who dies before the annuity or disability benefit begins to accrue under section 353.29, subdivision 7, or 353.33, subdivision 2, notwithstanding any designation of beneficiary to the contrary, the surviving spouse may elect to receive, instead of a refund with interest under subdivision 1, or surviving spouse benefits otherwise payable under section 353.31, an annuity equal to a 100 percent joint and survivor annuity computed consistent with section 353.30, subdivision 1a, 1c, or 5, whichever is applicable.

(b) If a member first became a public employee or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, and has credit for at least 30 years of allowable service on the date of death, the surviving spouse may elect to receive a 100 percent joint and survivor annuity computed using section 353.30, subdivision 1b, except that the early retirement reduction under that provision will be applied from age 62 back to age 55 and one-half of the early retirement reduction from age 55 back to the age payment begins.

(c) If a member who was under age 55 and ~~has credit for at least three years of allowable service~~ who is vested under section 353.01, subdivision 47, dies, but did not qualify for retirement on the date of death, the surviving spouse may elect to receive a 100 percent joint and survivor annuity computed using section 353.30, subdivision 1c or 5, as applicable, except that the early retirement reduction specified in the applicable subdivision will be applied to age 55 and one-half of the early retirement reduction from age 55 back to the age payment begins.

(d) Notwithstanding the definition of surviving spouse in section 353.01, subdivision 20, a former spouse of the member, if any, is entitled to a portion of the monthly surviving spouse optional annuity if stipulated under the terms of a marriage dissolution decree filed with the association. If there is no surviving spouse or child or children, a former spouse may be entitled to a lump-sum refund payment under subdivision 1, if provided for in a marriage dissolution decree, but not a monthly surviving spouse optional annuity, despite the terms of a marriage dissolution decree filed with the association.

(e) The surviving spouse eligible for surviving spouse benefits under paragraph (a) may apply for the annuity at any time after the date on which the deceased employee would have attained the required age for retirement based on the employee's allowable service. The surviving spouse eligible for surviving spouse benefits under paragraph (b) or (c) may apply for an annuity any time after the member's death.

(f) Sections 353.34, subdivision 3, and 353.71, subdivision 2, apply to a deferred annuity or surviving spouse benefit payable under this subdivision.

(g) An amount equal to any excess of the accumulated contributions that were credited to the account of the deceased employee over and above the total of the annuities paid and payable to the surviving spouse must be paid to the surviving spouse's estate.

(h) A member may specify in writing, with the signed consent of the spouse, that this subdivision does not apply and that payment may be made only to the designated beneficiary as otherwise provided by this chapter. The waiver of a surviving spouse annuity under this section does not make a dependent child eligible for benefits under subdivision 1c.

(i) If the deceased member or former member first became a public employee or a member of a public pension plan listed in section 356.30, subdivision 3, on or after July 1, 1989, a survivor annuity computed under paragraph (a) or (c) must be computed as specified in section 353.30, subdivision 5, except for the revised early retirement reduction specified in paragraph (c), if paragraph (c) is the applicable provision.

(j) For any survivor annuity determined under this subdivision, the payment is to be based on the total allowable service that the member had accrued as of the date of death and the age of the member and surviving spouse on that date.

Sec. 9. Minnesota Statutes 2009 Supplement, section 353.33, subdivision 1, is amended to read:

Subdivision 1. **Age, service, and salary requirements.** (a) A coordinated or basic member who ~~has at least three years of allowable service~~ is vested under section 353.01, subdivision 47, and who becomes totally and permanently disabled before normal retirement age, upon application as defined under section 353.031, is entitled to a disability benefit in an amount determined under subdivision 3.

(b) If the disabled person's public service has terminated at any time, at least two of the ~~required three~~ years of allowable service ~~required to be vested under section 353.01, subdivision 47,~~ must have been rendered after last becoming an active member.

Sec. 10. Minnesota Statutes 2008, section 353.34, subdivision 1, is amended to read:

Subdivision 1. **Refund or deferred annuity.** (a) A former member is entitled to either a refund of accumulated employee deductions under subdivision 2, or to a deferred annuity under subdivision 3. Application for a refund may not be made before the date of termination of public service. Except as specified in paragraph (b), a refund must be paid within 120 days following receipt of the application unless the applicant has again become a public employee required to be covered by the association.

(b) If an individual was placed on layoff under section 353.01, subdivision 12 or 12c, a refund is not payable before termination of service under section 353.01, subdivision 11a.

(c) An individual who terminates public service covered by the Public Employees Retirement Association general employees retirement plan, the Public Employees Retirement Association police and fire retirement plan, or the public employees local government ~~corrections~~ correctional service retirement plan, and who is employed by a different employer and who becomes an active member covered by one of the other two plans, may receive a refund of employee contributions plus ~~six percent~~ annual compound

9.1 interest ~~compounded annually~~ from the plan from which the member terminated service at  
9.2 the applicable rate specified in subdivision 2.

9.3 Sec. 11. Minnesota Statutes 2008, section 353.34, subdivision 2, is amended to read:

9.4 Subd. 2. **Refund with interest.** (a) Except as provided in subdivision 1, any person  
9.5 who ceases to be a public employee ~~shall~~ is entitled to receive a refund in an amount equal  
9.6 to accumulated deductions with annual compound interest to the first day of the month  
9.7 in which the refund is processed ~~at the rate of six percent compounded annually based~~  
9.8 ~~on fiscal year balances.~~

9.9 (b) For a person who ceases to be a public employee before July 1, 2011, the refund  
9.10 interest is at the rate of six percent to June 30, 2011, and at the rate of four percent after  
9.11 June 30, 2011. For a person who ceases to be a public employee after July 1, 2011, the  
9.12 refund interest is at the rate of four percent.

9.13 (c) If a person repays a refund and subsequently applies for another refund, the  
9.14 repayment amount, including interest, is added to the fiscal year balance in which the  
9.15 repayment was made.

9.16 Sec. 12. Minnesota Statutes 2008, section 353.34, subdivision 3, is amended to read:

9.17 Subd. 3. **Deferred annuity; eligibility; computation.** (a) A member ~~with at least~~  
9.18 ~~three years of allowable service~~ who is vested under section 353.01, subdivision 47, when  
9.19 termination of public service or termination of membership occurs has the option of  
9.20 leaving the accumulated deductions in the fund and being entitled to a deferred retirement  
9.21 annuity commencing at normal retirement age or to a deferred early retirement annuity  
9.22 under section 353.30, subdivision 1a, 1b, 1c, or 5.

9.23 (b) The deferred annuity must be computed under section 353.29, subdivision 3, on  
9.24 the basis of the law in effect on the date of termination of public service or termination of  
9.25 membership, whichever is earlier, and must be augmented as provided in section 353.71,  
9.26 subdivision 2.

9.27 (c) A former member qualified to apply for a deferred retirement annuity may  
9.28 revoke this option at any time before the commencement of deferred annuity payments  
9.29 by making application for a refund. The person is entitled to a refund of accumulated  
9.30 member contributions within 30 days following date of receipt of the application by the  
9.31 executive director.

9.32 Sec. 13. Minnesota Statutes 2009 Supplement, section 353.65, subdivision 2, is  
9.33 amended to read:

10.1 Subd. 2. **Employee contribution.** The employee contribution is 9.4 percent of the  
10.2 salary of the member in calendar year 2010 and is 9.6 percent of the salary of the member  
10.3 in each calendar year after 2010. This contribution must be made by deduction from  
10.4 salary in the manner provided in subdivision 4. Where any portion of a member's salary  
10.5 is paid from other than public funds, the member's employee contribution is based on  
10.6 the total salary received from all sources.

10.7 Sec. 14. Minnesota Statutes 2009 Supplement, section 353.65, subdivision 3, is  
10.8 amended to read:

10.9 Subd. 3. **Employer contribution.** The employer contribution is 14.1 percent of the  
10.10 salary of the member in calendar year 2010 and is 14.4 percent of the salary of the member  
10.11 in each calendar year after 2010. This contribution must be made from funds available to  
10.12 the employing subdivision by the means and in the manner provided in section 353.28.

10.13 Sec. 15. Minnesota Statutes 2008, section 353.651, subdivision 1, is amended to read:

10.14 Subdivision 1. **Age and allowable service requirements.** Upon separation from  
10.15 public service, any police officer or firefighter member who has attained the age of at  
10.16 least 55 years and who ~~received credit for not less than three years of allowable service~~  
10.17 is vested under section 353.01, subdivision 47, is entitled upon application to a retirement  
10.18 annuity. ~~Such retirement annuity is,~~ known as the "normal" retirement annuity.

10.19 Sec. 16. Minnesota Statutes 2008, section 353.651, subdivision 4, is amended to read:

10.20 Subd. 4. **Early retirement.** (a) A person who becomes a police and fire plan  
10.21 member after June 30, 2007, or a former member who is reinstated as a member of the  
10.22 plan after that date, who is at least 50 years of age ~~with at least three years of allowable~~  
10.23 ~~service and who is vested under section 353.01, subdivision 47,~~ upon the termination of  
10.24 public service is entitled upon application to a retirement annuity equal to the normal  
10.25 annuity calculated under subdivision 3, reduced by two-tenths of one percent for each  
10.26 month that the member is under age 55 at the time of retirement.

10.27 (b) Upon the termination of public service, any police and fire plan member not  
10.28 specified in paragraph (a), upon attaining at least 50 years of age with at least three years  
10.29 of allowable service is entitled upon application to a retirement annuity equal to the  
10.30 normal annuity calculated under subdivision 3, reduced by one-tenth of one percent for  
10.31 each month that the member is under age 55 at the time of retirement.

10.32 Sec. 17. Minnesota Statutes 2008, section 353.657, subdivision 1, is amended to read:

Subdivision 1. **Generally.** (a) In the event that a member of the police and fire fund dies from any cause before retirement or before becoming disabled and receiving disability benefits, the association shall grant survivor benefits to a surviving spouse, as defined in section 353.01, subdivision 20, and to a dependent child or children, as defined in section 353.01, subdivision 15, except that if the death is not a line of duty death, the member must ~~have accrued at least three years of credited service~~ be vested under section 353.01, subdivision 47.

(b) Notwithstanding the definition of surviving spouse, a former spouse of the member, if any, is entitled to a portion of the monthly surviving spouse benefit if stipulated under the terms of a marriage dissolution decree filed with the association. If there is no surviving spouse or child or children, a former spouse may be entitled to a lump-sum refund payment under section 353.32, subdivision 1, if provided for in a marriage dissolution decree but not a monthly surviving spouse benefit despite the terms of a marriage dissolution decree filed with the association.

(c) The spouse and child or children are entitled to monthly benefits as provided in subdivisions 2 to 4.

Sec. 18. Minnesota Statutes 2008, section 353.657, subdivision 2a, is amended to read:

Subd. 2a. **Death while eligible survivor benefit.** (a) If a member or former member who has attained the age of at least 50 years and ~~has credit for not less than three years allowable service~~ either who is vested under section 353.01, subdivision 47, or who has credit for at least 30 years of allowable service, regardless of age attained, dies before the annuity or disability benefit becomes payable, notwithstanding any designation of beneficiary to the contrary, the surviving spouse may elect to receive a death while eligible survivor benefit.

(b) Notwithstanding the definition of surviving spouse in section 353.01, subdivision 20, a former spouse of the member, if any, is entitled to a portion of the death while eligible survivor benefit if stipulated under the terms of a marriage dissolution decree filed with the association. If there is no surviving spouse or child or children, a former spouse may be entitled to a lump-sum refund payment under section 353.32, subdivision 1, if provided for in a marriage dissolution decree but not a death while eligible survivor benefit despite the terms of a marriage dissolution decree filed with the association.

(c) The benefit may be elected instead of a refund with interest under section 353.32, subdivision 1, or surviving spouse benefits otherwise payable under subdivisions 1 and 2. The benefit must be an annuity equal to the 100 percent joint and survivor annuity

which the member could have qualified for on the date of death, computed as provided in sections 353.651, subdivisions 2 and 3, and 353.30, subdivision 3.

(d) The surviving spouse may apply for the annuity at any time after the date on which the deceased employee would have attained the required age for retirement based on the employee's allowable service. Sections 353.34, subdivision 3, and 353.71, subdivision 2, apply to a deferred annuity payable under this subdivision.

(e) No payment accrues beyond the end of the month in which entitlement to such annuity has terminated. An amount equal to the excess, if any, of the accumulated contributions which were credited to the account of the deceased employee over and above the total of the annuities paid and payable to the surviving spouse must be paid to the deceased member's last designated beneficiary or, if none, to the legal representative of the estate of such deceased member.

(f) Any member may request in writing, with the signed consent of the spouse, that this subdivision not apply and that payment be made only to the designated beneficiary, as otherwise provided by this chapter.

(g) For a member who is employed as a full-time firefighter by the Department of Military Affairs of the state of Minnesota, allowable service as a full-time state Military Affairs Department firefighter credited by the Minnesota State Retirement System may be used in meeting the minimum allowable service requirement of this subdivision.

Sec. 19. Minnesota Statutes 2008, section 353.71, subdivision 1, is amended to read:

Subdivision 1. **Eligibility.** Any person who has been a member of a defined benefit retirement plan administered by the Public Employees Retirement Association, or a retirement plan administered by the Minnesota State Retirement System, or the Teachers Retirement Association, or any other public retirement system in the state of Minnesota having a like provision, except a fund retirement plan providing benefits for police officers or firefighters governed by sections 69.77 or 69.771 to 69.776, shall be is entitled, when qualified, to an annuity from each fund retirement plan if the total allowable service in all funds retirement plans or in any two of these funds retirement plans totals three or more years the number of years of allowable service required to receive a normal retirement annuity for that retirement plan, provided that no portion of the allowable service upon which the retirement annuity from one fund retirement plan is based is again used in the computation for benefits from another fund retirement plan and provided further that the person has not taken a refund from any one of these funds retirement plans since the person's membership in that association or system last terminated. The annuity from each fund shall must be determined by the appropriate provisions of the law except that

the requirement that a person must have at least ~~three years~~ a specific minimum period of allowable service in the respective association or system ~~shall~~ does not apply for the purposes of this section ~~provided if~~ if the combined service in two or more of these funds retirement plans equals three or more the number of years of allowable service required to receive a normal retirement annuity for that retirement plan.

Sec. 20. Minnesota Statutes 2008, section 353.71, subdivision 2, is amended to read:

Subd. 2. **Deferred annuity computation; augmentation.** (a) The deferred annuity accruing under subdivision 1, or under sections 353.34, subdivision 3, and 353.68, subdivision 4, must be computed on the basis of allowable service prior to the termination of public service and augmented as provided in this ~~paragraph~~ subdivision. The required reserves applicable to a deferred annuity, or to any deferred segment of an annuity must be determined as of the first day of the month following the month in which the former member ceased to be a public employee, or July 1, 1971, whichever is later. ~~These~~

(b) For a person who became a public employee before July 1, 2006, and whose period of deferral began after June 30, 1971, the required reserves of the deferred annuity must be augmented at the following applicable rate of or rates:

(1) five percent ~~annually compounded annually~~ annual compound interest until January 1, 1981, and at the rate of;

(2) three percent thereafter annual compound interest after January 1, 1981, or until the earlier of December 31, 2010, or after the date of the termination of public service or the termination of membership, whichever is later, until January 1 of the year following the year in which the former member attains age 55 and;

(3) five percent annual compound interest from ~~that date to the effective date of retirement, the rate is five percent compounded annually if the employee became an employee before July 1, 2006, and at 2.5 percent compounded annually if the employee becomes an~~ January 1 of the year following the year in which the former member attains age 55, or until December 31, 2010, whichever is earlier; and

(4) one percent annual compound interest from January 1, 2011.

(c) For a person who became a public employee after June 30, 2006, the required reserves of the deferred annuity must be augmented at 2.5 percent annual compound interest from the date of termination of public service or termination of membership, whichever is earlier, until December 31, 2010, and one percent annual compound interest after December 31, 2010.

(d) If a person has more than one period of uninterrupted service, the required reserves related to each period must be augmented as specified in this paragraph. The sum

of the augmented required reserves is the present value of the annuity. Uninterrupted service for the purpose of this subdivision means periods of covered employment during which the employee has not been separated from public service for more than two years. If a person repays a refund, the restored service must be considered as continuous with the next period of service for which the employee has credit with this association. This section must not reduce the annuity otherwise payable under this chapter. This paragraph applies to individuals who become deferred annuitants on or after July 1, 1971. For a member who became a deferred annuitant before July 1, 1971, the paragraph applies from July 1, 1971, if the former active member applies for an annuity after July 1, 1973.

~~(b)~~ (e) The retirement annuity or disability benefit of, or the survivor benefit payable on behalf of, a former member who terminated service before July 1, 1997, or the survivor benefit payable on behalf of a basic or police and fire member who was receiving disability benefits before July 1, 1997, which is first payable after June 30, 1997, must be increased on an actuarial equivalent basis to reflect the change in the postretirement interest rate actuarial assumption under section 356.215, subdivision 8, from five percent to six percent under a calculation procedure and tables adopted by the board and approved by the actuary retained under section 356.214.

Sec. 21. Minnesota Statutes 2008, section 353E.04, subdivision 1, is amended to read:

Subdivision 1. **Eligibility requirements.** After termination of public employment, an employee covered under section 353E.02 who has attained the age of at least 55 years and ~~has credit for not less than three years of coverage~~ who is vested under section 353.01, subdivision 47, in the local government correctional service plan is entitled, upon application, to a normal retirement annuity. Instead of a normal retirement annuity, a retiring employee may elect to receive the optional annuity provided in section 353.30, subdivision 3.

Sec. 22. Minnesota Statutes 2008, section 353E.04, subdivision 4, is amended to read:

Subd. 4. **Early retirement.** An employee covered under section 353E.02 who has attained the age of at least 50 years and ~~has credit for not less than three years of coverage~~ who is vested under section 353.01, subdivision 47, in the local government correctional service plan is entitled, upon application, to a reduced retirement annuity equal to the annuity calculated under subdivision 3, reduced so that the reduced annuity is the actuarial equivalent of the annuity that would be payable if the employee deferred receipt of the annuity from the day the annuity begins to accrue until age 55.

15.1        Sec. 23. Minnesota Statutes 2008, section 353E.07, subdivision 1, is amended to read:

15.2            Subdivision 1. **Member at least age 50.** If a member or former member of the local  
15.3 government correctional service retirement plan who has attained the age of at least 50  
15.4 years and ~~has credit for not less than three years of allowable service~~ who is vested under  
15.5 section 353.01, subdivision 47, dies before the annuity or disability benefit has become  
15.6 payable, notwithstanding any designation of beneficiary to the contrary, the surviving  
15.7 spouse may elect to receive, in lieu of a refund with interest provided in section 353.32,  
15.8 subdivision 1, a surviving spouse annuity equal to the 100 percent joint and survivor  
15.9 annuity for which the member could have qualified had the member terminated service  
15.10 on the date of death.

15.11        Sec. 24. Minnesota Statutes 2008, section 353E.07, subdivision 2, is amended to read:

15.12            Subd. 2. **Member not yet age 50.** If the member was under age 50, dies, and ~~had~~  
15.13 ~~credit for not less than three years of allowable service~~ was vested under section 353.01,  
15.14 subdivision 47, on the date of death but did not yet qualify for retirement, the surviving  
15.15 spouse may elect to receive a 100 percent joint and survivor annuity based on the age  
15.16 of the employee and the surviving spouse at the time of death. The annuity is payable  
15.17 using the early retirement reduction under section 353E.04, subdivision 4, to age 50 and  
15.18 one-half the early retirement reduction from age 50 to the age payment begins. Sections  
15.19 353.34, subdivision 3, and 353.71, subdivision 2, apply to a deferred annuity or surviving  
15.20 spouse benefit payable under this subdivision.

15.21        Sec. 25. Minnesota Statutes 2008, section 353F.03, is amended to read:

15.22            **353F.03 VESTING RULE FOR CERTAIN EMPLOYEES.**

15.23            Notwithstanding any provision of chapter 353 to the contrary, a terminated medical  
15.24 facility or other public employing unit employee is eligible to receive a retirement annuity  
15.25 under section 353.29 of the edition of Minnesota Statutes published in the year before the  
15.26 year in which the privatization occurred, without regard to the requirement ~~for three years~~  
15.27 ~~of allowable service~~ specified in section 353.01, subdivision 47.

15.28        Sec. 26. Minnesota Statutes 2008, section 356.215, subdivision 8, is amended to read:

15.29            Subd. 8. **Interest and salary assumptions.** (a) The actuarial valuation must use  
15.30 the applicable following preretirement interest assumption and the applicable following  
15.31 postretirement interest assumption:

16.1		preretirement	postretirement
16.2		interest rate	interest rate
16.3	plan	assumption	assumption
16.4	general state employees retirement plan	8.5%	6.0%
16.5	correctional state employees retirement plan	8.5	6.0
16.6	State Patrol retirement plan	8.5	6.0
16.7	legislators retirement plan	8.5	6.0
16.8	elective state officers retirement plan	8.5	6.0
16.9	judges retirement plan	8.5	6.0
16.10	general public employees retirement plan	8.5	6.0
16.11	public employees police and fire retirement plan	8.5	6.0
16.12	local government correctional service retirement		
16.13	plan	8.5	6.0
16.14	teachers retirement plan	8.5	6.0
16.15	Minneapolis employees retirement plan	6.0	5.0
16.16	Duluth teachers retirement plan	8.5	8.5
16.17	St. Paul teachers retirement plan	8.5	8.5
16.18	Minneapolis Police Relief Association	6.0	6.0
16.19	Fairmont Police Relief Association	5.0	5.0
16.20	Minneapolis Fire Department Relief Association	6.0	6.0
16.21	Virginia Fire Department Relief Association	5.0	5.0
16.22	Bloomington Fire Department Relief Association	6.0	6.0
16.23	local monthly benefit volunteer firefighters relief		
16.24	associations	5.0	5.0

16.25 (b) Before July 1, 2010, the actuarial valuation must use the applicable following  
16.26 single rate future salary increase assumption, the applicable following modified single  
16.27 rate future salary increase assumption, or the applicable following graded rate future  
16.28 salary increase assumption:

16.29 (1) single rate future salary increase assumption

16.30		future salary
16.31	plan	increase assumption
16.32	legislators retirement plan	5.0%
16.33	judges retirement plan	4.0
16.34	Minneapolis Police Relief Association	4.0
16.35	Fairmont Police Relief Association	3.5
16.36	Minneapolis Fire Department Relief	
16.37	Association	4.0
16.38	Virginia Fire Department Relief Association	3.5
16.39	Bloomington Fire Department Relief	
16.40	Association	4.0

16.41 (2) modified single rate future salary increase assumption

17.1 future salary  
17.2 plan increase assumption  
17.3 Minneapolis employees the prior calendar year amount increased  
17.4 retirement plan first by 1.0198 percent to prior fiscal year  
17.5 date and then increased by 4.0 percent  
17.6 annually for each future year

17.7 (3) age-related select and ultimate future salary increase assumption or graded rate  
17.8 future salary increase assumption

17.9 future salary  
17.10 plan increase assumption  
17.11 general state employees retirement plan select calculation and  
17.12 assumption A  
17.13 correctional state employees retirement plan assumption ~~H~~ G  
17.14 State Patrol retirement plan assumption ~~G~~ F  
17.15 ~~general public employees retirement plan~~ ~~select calculation and~~  
17.16 ~~assumption B~~  
17.17 public employees police and fire fund retirement plan assumption ~~E~~ B  
17.18 local government correctional service retirement plan assumption ~~G~~ F  
17.19 teachers retirement plan assumption ~~D~~ C  
17.20 Duluth teachers retirement plan assumption ~~E~~ D  
17.21 St. Paul teachers retirement plan assumption ~~F~~ E

17.22 The select calculation is: during the  
17.23 designated select period, a designated  
17.24 percentage rate is multiplied by the result of  
17.25 the designated integer minus T, where T is the  
17.26 number of completed years of service, and is  
17.27 added to the applicable future salary increase  
17.28 assumption. The designated select period is  
17.29 five years and the designated integer is five  
17.30 for the general state employees retirement  
17.31 plan ~~and the general public employees~~  
17.32 ~~retirement plan~~. The designated select period  
17.33 is ten years and the designated integer is ten  
17.34 for all other retirement plans covered by  
17.35 this clause. The designated percentage rate  
17.36 is: (1) 0.2 percent for the correctional state  
17.37 employees retirement plan, the State Patrol  
17.38 retirement plan, the public employees police  
17.39 and fire plan, and the local government  
17.40 correctional service plan; (2) 0.6 percent

18.1 for the general state employees retirement  
18.2 plan and the general public employees  
18.3 retirement plan; and (3) 0.3 percent for the  
18.4 teachers retirement plan, the Duluth Teachers  
18.5 Retirement Fund Association, and the St.  
18.6 Paul Teachers Retirement Fund Association.  
18.7 The select calculation for the Duluth Teachers  
18.8 Retirement Fund Association is 8.00 percent  
18.9 per year for service years one through seven,  
18.10 7.25 percent per year for service years seven  
18.11 and eight, and 6.50 percent per year for  
18.12 service years eight and nine.

18.13 The ultimate future salary increase assumption is:

18.14	age	<u>A</u>	<del>B</del>	<u>€ B</u>	<del>Đ C</del>	<u>£ D</u>	<u>₣ E</u>	<u>₧ F</u>	<u>₡ G</u>
18.15	16	5.95%	<del>5.95%</del>	11.00%	7.70%	8.00%	6.90%	7.7500%	7.2500%
18.16	17	5.90	<del>5.90</del>	11.00	7.65	8.00	6.90	7.7500	7.2500
18.17	18	5.85	<del>5.85</del>	11.00	7.60	8.00	6.90	7.7500	7.2500
18.18	19	5.80	<del>5.80</del>	11.00	7.55	8.00	6.90	7.7500	7.2500
18.19	20	5.75	<del>5.40</del>	11.00	5.50	6.90	6.90	7.7500	7.2500
18.20	21	5.75	<del>5.40</del>	11.00	5.50	6.90	6.90	7.1454	6.6454
18.21	22	5.75	<del>5.40</del>	10.50	5.50	6.90	6.90	7.0725	6.5725
18.22	23	5.75	<del>5.40</del>	10.00	5.50	6.85	6.85	7.0544	6.5544
18.23	24	5.75	<del>5.40</del>	9.50	5.50	6.80	6.80	7.0363	6.5363
18.24	25	5.75	<del>5.40</del>	9.00	5.50	6.75	6.75	7.0000	6.5000
18.25	26	5.75	<del>5.36</del>	8.70	5.50	6.70	6.70	7.0000	6.5000
18.26	27	5.75	<del>5.32</del>	8.40	5.50	6.65	6.65	7.0000	6.5000
18.27	28	5.75	<del>5.28</del>	8.10	5.50	6.60	6.60	7.0000	6.5000
18.28	29	5.75	<del>5.24</del>	7.80	5.50	6.55	6.55	7.0000	6.5000
18.29	30	5.75	<del>5.20</del>	7.50	5.50	6.50	6.50	7.0000	6.5000
18.30	31	5.75	<del>5.16</del>	7.30	5.50	6.45	6.45	7.0000	6.5000
18.31	32	5.75	<del>5.12</del>	7.10	5.50	6.40	6.40	7.0000	6.5000
18.32	33	5.75	<del>5.08</del>	6.90	5.50	6.35	6.35	7.0000	6.5000
18.33	34	5.75	<del>5.04</del>	6.70	5.50	6.30	6.30	7.0000	6.5000
18.34	35	5.75	<del>5.00</del>	6.50	5.50	6.25	6.25	7.0000	6.5000
18.35	36	5.75	<del>4.96</del>	6.30	5.50	6.20	6.20	6.9019	6.4019
18.36	37	5.75	<del>4.92</del>	6.10	5.50	6.15	6.15	6.8074	6.3074
18.37	38	5.75	<del>4.88</del>	5.90	5.40	6.10	6.10	6.7125	6.2125
18.38	39	5.75	<del>4.84</del>	5.70	5.30	6.05	6.05	6.6054	6.1054
18.39	40	5.75	<del>4.80</del>	5.50	5.20	6.00	6.00	6.5000	6.0000
18.40	41	5.75	<del>4.76</del>	5.40	5.10	5.90	5.95	6.3540	5.8540
18.41	42	5.75	<del>4.72</del>	5.30	5.00	5.80	5.90	6.2087	5.7087

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19.1	43	5.65	<del>4.68</del>	5.20	4.90	5.70	5.85	6.0622	5.5622
19.2	44	5.55	<del>4.64</del>	5.10	4.80	5.60	5.80	5.9048	5.4078
19.3	45	5.45	<del>4.60</del>	5.00	4.70	5.50	5.75	5.7500	5.2500
19.4	46	5.35	<del>4.56</del>	4.95	4.60	5.40	5.70	5.6940	5.1940
19.5	47	5.25	<del>4.52</del>	4.90	4.50	5.30	5.65	5.6375	5.1375
19.6	48	5.15	<del>4.48</del>	4.85	4.50	5.20	5.60	5.5822	5.0822
19.7	49	5.05	<del>4.44</del>	4.80	4.50	5.10	5.55	5.5404	5.0404
19.8	50	4.95	<del>4.40</del>	4.75	4.50	5.00	5.50	5.5000	5.0000
19.9	51	4.85	<del>4.36</del>	4.75	4.50	4.90	5.45	5.4384	4.9384
19.10	52	4.75	<del>4.32</del>	4.75	4.50	4.80	5.40	5.3776	4.8776
19.11	53	4.65	<del>4.28</del>	4.75	4.50	4.70	5.35	5.3167	4.8167
19.12	54	4.55	<del>4.24</del>	4.75	4.50	4.60	5.30	5.2826	4.7826
19.13	55	4.45	<del>4.20</del>	4.75	4.50	4.50	5.25	5.2500	4.7500
19.14	56	4.35	<del>4.16</del>	4.75	4.50	4.40	5.20	5.2500	4.7500
19.15	57	4.25	<del>4.12</del>	4.75	4.50	4.30	5.15	5.2500	4.7500
19.16	58	4.25	<del>4.08</del>	4.75	4.60	4.20	5.10	5.2500	4.7500
19.17	59	4.25	<del>4.04</del>	4.75	4.70	4.10	5.05	5.2500	4.7500
19.18	60	4.25	<del>4.00</del>	4.75	4.80	4.00	5.00	5.2500	4.7500
19.19	61	4.25	<del>4.00</del>	4.75	4.90	3.90	5.00	5.2500	4.7500
19.20	62	4.25	<del>4.00</del>	4.75	5.00	3.80	5.00	5.2500	4.7500
19.21	63	4.25	<del>4.00</del>	4.75	5.10	3.70	5.00	5.2500	4.7500
19.22	64	4.25	<del>4.00</del>	4.75	5.20	3.60	5.00	5.2500	4.7500
19.23	65	4.25	<del>4.00</del>	4.75	5.20	3.50	5.00	5.2500	4.7500
19.24	66	4.25	<del>4.00</del>	4.75	5.20	3.50	5.00	5.2500	4.7500
19.25	67	4.25	<del>4.00</del>	4.75	5.20	3.50	5.00	5.2500	4.7500
19.26	68	4.25	<del>4.00</del>	4.75	5.20	3.50	5.00	5.2500	4.7500
19.27	69	4.25	<del>4.00</del>	4.75	5.20	3.50	5.00	5.2500	4.7500
19.28	70	4.25	<del>4.00</del>	4.75	5.20	3.50	5.00	5.2500	4.7500
19.29	71	4.25	<del>4.00</del>		5.20				

19.30            (4) service-related ultimate future salary increase assumption

19.31		<u>general employees retirement plan of the Public</u>							
19.32		<u>service length</u>						<u>Employees Retirement Association</u>	
19.33		<u>1</u>						<u>12.03%</u>	
19.34		<u>2</u>						<u>8.90</u>	
19.35		<u>3</u>						<u>7.46</u>	
19.36		<u>4</u>						<u>6.58</u>	
19.37		<u>5</u>						<u>5.97</u>	
19.38		<u>6</u>						<u>5.52</u>	
19.39		<u>7</u>						<u>5.16</u>	
19.40		<u>8</u>						<u>4.87</u>	
19.41		<u>9</u>						<u>4.63</u>	
19.42		<u>10</u>						<u>4.42</u>	
19.43		<u>11</u>						<u>4.24</u>	

20.1	<u>12</u>	<u>4.08</u>
20.2	<u>13</u>	<u>3.94</u>
20.3	<u>14</u>	<u>3.82</u>
20.4	<u>15</u>	<u>3.70</u>
20.5	<u>16</u>	<u>3.60</u>
20.6	<u>17</u>	<u>3.51</u>
20.7	<u>18</u>	<u>3.50</u>
20.8	<u>19</u>	<u>3.50</u>
20.9	<u>20</u>	<u>3.50</u>
20.10	<u>21</u>	<u>3.50</u>
20.11	<u>22</u>	<u>3.50</u>
20.12	<u>23</u>	<u>3.50</u>
20.13	<u>24</u>	<u>3.50</u>
20.14	<u>25</u>	<u>3.50</u>
20.15	<u>26</u>	<u>3.50</u>
20.16	<u>27</u>	<u>3.50</u>
20.17	<u>28</u>	<u>3.50</u>
20.18	<u>29</u>	<u>3.50</u>
20.19	<u>30 or more</u>	<u>3.50</u>

20.20 (c) Before July 2, 2010, the actuarial valuation must use the applicable following  
20.21 payroll growth assumption for calculating the amortization requirement for the unfunded  
20.22 actuarial accrued liability where the amortization retirement is calculated as a level  
20.23 percentage of an increasing payroll:

20.24		payroll growth
20.25	plan	assumption
20.26	general state employees retirement plan	4.50%
20.27	correctional state employees retirement plan	4.50
20.28	State Patrol retirement plan	4.50
20.29	legislators retirement plan	4.50
20.30	judges retirement plan	4.00
20.31	general public employees retirement plan of the	
20.32	<u>Public Employees Retirement Association</u>	<del>4.50</del> 4.00
20.33	public employees police and fire retirement plan	4.50
20.34	local government correctional service retirement	
20.35	plan	4.50
20.36	teachers retirement plan	4.50
20.37	Duluth teachers retirement plan	4.50
20.38	St. Paul teachers retirement plan	5.00

20.39 (d) After July 1, 2010, the assumptions set forth in paragraphs (b) and (c) continue to  
20.40 apply, unless a different salary assumption or a different payroll increase assumption:  
20.41 (1) has been proposed by the governing board of the applicable retirement plan;

21.1 (2) is accompanied by the concurring recommendation of the actuary retained under  
21.2 section 356.214, subdivision 1, if applicable, or by the approved actuary preparing the  
21.3 most recent actuarial valuation report if section 356.214 does not apply; and  
21.4 (3) has been approved or deemed approved under subdivision 18.

21.5 Sec. 27. Minnesota Statutes 2008, section 356.30, subdivision 1, is amended to read:

21.6 Subdivision 1. **Eligibility; computation of annuity.** (a) Notwithstanding any  
21.7 provisions of the laws governing the retirement plans enumerated in subdivision 3, a  
21.8 person who has met the qualifications of paragraph (b) may elect to receive a retirement  
21.9 annuity from each enumerated retirement plan in which the person has at least one-half  
21.10 year of allowable service, based on the allowable service in each plan, subject to the  
21.11 provisions of paragraph (c).

21.12 (b) A person may elect to receive, upon retirement, a retirement annuity from each  
21.13 enumerated retirement plan in which the person has at least one-half year of allowable  
21.14 service, and augmentation of a deferred annuity calculated at the appropriate rate under  
21.15 the laws governing each public pension plan or fund named in subdivision 3, based on  
21.16 the date of the person's initial entry into public employment from the date the person  
21.17 terminated all public service if:

21.18 (1) the person has allowable service totaling an amount that allows the person to  
21.19 receive an annuity in ~~any two or more of the enumerated plans~~ retirement plan with  
21.20 the longest allowable service vesting requirement or retirement annuity eligibility  
21.21 requirement; and

21.22 (2) the person has not begun to receive an annuity from any enumerated plan or the  
21.23 person has made application for benefits from each applicable plan and the effective  
21.24 dates of the retirement annuity with each plan under which the person chooses to receive  
21.25 an annuity are within a one-year period.

21.26 (c) The retirement annuity from each plan must be based upon the allowable service,  
21.27 accrual rates, and average salary in the applicable plan except as further specified or  
21.28 modified in the following clauses:

21.29 (1) the laws governing annuities must be the law in effect on the date of termination  
21.30 from the last period of public service under a covered retirement plan with which the  
21.31 person earned a minimum of one-half year of allowable service credit during that  
21.32 employment;

21.33 (2) the "average salary" on which the annuity from each covered plan in which  
21.34 the employee has credit in a formula plan must be based on the employee's highest five  
21.35 successive years of covered salary during the entire service in covered plans;

(3) the accrual rates to be used by each plan must be those percentages prescribed by each plan's formula as continued for the respective years of allowable service from one plan to the next, recognizing all previous allowable service with the other covered plans;

(4) the allowable service in all the plans must be combined in determining eligibility for and the application of each plan's provisions in respect to reduction in the annuity amount for retirement prior to normal retirement age; and

(5) the annuity amount payable for any allowable service under a nonformula plan of a covered plan must not be affected, but such service and covered salary must be used in the above calculation.

(d) This section does not apply to any person whose final termination from the last public service under a covered plan was before May 1, 1975.

(e) For the purpose of computing annuities under this section, the accrual rates used by any covered plan, except the public employees police and fire plan, the judges retirement fund, and the State Patrol retirement plan, must not exceed the percent specified in section 356.315, subdivision 4, per year of service for any year of service or fraction thereof. The formula percentage used by the judges retirement fund must not exceed the percentage rate specified in section 356.315, subdivision 8, per year of service for any year of service or fraction thereof. The accrual rate used by the public employees police and fire plan and the State Patrol retirement plan must not exceed the percentage rate specified in section 356.315, subdivision 6, per year of service for any year of service or fraction thereof. The accrual rate or rates used by the legislators retirement plan must not exceed 2.5 percent, but this limit does not apply to the adjustment provided under section 3A.02, subdivision 1, paragraph (c).

(f) Any period of time for which a person has credit in more than one of the covered plans must be used only once for the purpose of determining total allowable service.

(g) If the period of duplicated service credit is more than one-half year, or the person has credit for more than one-half year, with each of the plans, each plan must apply its formula to a prorated service credit for the period of duplicated service based on a fraction of the salary on which deductions were paid to that fund for the period divided by the total salary on which deductions were paid to all plans for the period.

(h) If the period of duplicated service credit is less than one-half year, or when added to other service credit with that plan is less than one-half year, the service credit must be ignored and a refund of contributions made to the person in accord with that plan's refund provisions.

Sec. 28. Minnesota Statutes 2009 Supplement, section 356.415, subdivision 1, is amended to read:

Subdivision 1. **Annual postretirement adjustments; generally.** (a) Retirement annuity, disability benefit, or survivor benefit recipients of a covered retirement plan other than the general employees retirement plan of the Public Employees Retirement Association, the public employees police and fire retirement plan, and the local government correctional employees retirement plan are entitled to a postretirement adjustment annually on January 1, as follows:

(1) a postretirement increase of 2.5 percent must be applied each year, effective January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 12 full months prior to the January 1 increase; and

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least one full month, an annual postretirement increase of 1/12 of 2.5 percent for each month the person has been receiving an annuity or benefit must be applied, effective January 1 following the year in which the person has been retired for less than 12 months.

(b) The increases provided by this section commence on January 1, 2010.

(c) An increase in annuity or benefit payments under this section must be made automatically unless written notice is filed by the annuitant or benefit recipient with the executive director of the covered retirement plan requesting that the increase not be made.

(d) The retirement annuity payable to a person who retires before becoming eligible for Social Security benefits and who has elected the optional payment as provided in ~~section 353.29, subdivision 6, or 354.35~~ must be treated as the sum of a period certain retirement annuity and a life retirement annuity for the purposes of any postretirement adjustment. The period certain retirement annuity plus the life retirement annuity must be the annuity amount payable until age ~~62 for section 353.29, subdivision 6, or age 62~~, 65, or normal retirement age, as selected by the member at retirement, for an annuity amount payable under section 354.35. A postretirement adjustment granted on the period certain retirement annuity must terminate when the period certain retirement annuity terminates.

Sec. 29. Minnesota Statutes 2009 Supplement, section 356.415, is amended by adding a subdivision to read:

Subd. 1a. **Annual postretirement adjustments; retirement plans administered by the Public Employees Retirement Association.** (a) Retirement annuity, disability benefit or survivor benefit recipients of the general employees retirement plan of the

24.1 Public Employees Retirement Association, the public employees police and fire retirement  
24.2 plan, and the local government correctional service retirement plan are entitled to a  
24.3 postretirement adjustment annually on January 1, as follows:

24.4 (1) for January 1, 2011, and each successive January 1 until funding stability is  
24.5 restored for the applicable retirement plan, a postretirement increase of one percent must  
24.6 be applied each year, effective on January 1, to the monthly annuity or benefit amount of  
24.7 each annuitant or benefit recipient who has been receiving an annuity or benefit for at least  
24.8 12 full months as of the current June 30;

24.9 (2) for January 1, 2011, and each successive January 1 until funding stability is  
24.10 restored for the applicable retirement plan, for each annuitant or benefit recipient who has  
24.11 been receiving an annuity or a benefit for at least one full month, but less than 12 full  
24.12 months as of the current June 30, an annual postretirement increase of 1/12 of one percent  
24.13 for each month the person has been receiving an annuity or benefit must be applied;

24.14 (3) for each January 1 following the restoration of funding stability for the applicable  
24.15 retirement plan, a postretirement increase of 2.5 percent must be applied each year,  
24.16 effective January 1, to the monthly annuity or benefit amount of each annuitant or benefit  
24.17 recipient who has been receiving an annuity or benefit for at least 12 full months as of  
24.18 the current June 30; and

24.19 (4) for each January 1 following restoration of funding stability for the applicable  
24.20 retirement plan, for each annuity or benefit recipient who has been receiving an annuity or  
24.21 a benefit for at least one full month, but less than 12 full months as of the current June  
24.22 30, an annual postretirement increase of 1/12 of 2.5 percent for each month the person  
24.23 has been receiving an annuity or benefit must be applied.

24.24 (b) Funding stability is restored when the market value of assets of the applicable  
24.25 retirement plan equals or exceeds 90 percent of the actuarial accrued liabilities of the  
24.26 applicable plan in the most recent prior actuarial valuation prepared under section 356.215  
24.27 and the standards for actuarial work by the approved actuary retained by the Public  
24.28 Employees Retirement Association under section 356.214.

24.29 (c) If, after applying the increase as provided for in clauses (3) and (4) of this  
24.30 subdivision, the market value of the applicable retirement plan is determined in the next  
24.31 subsequent actuarial valuation prepared under section 356.215 to be less than 90 percent  
24.32 of the actuarial accrued liability of any of the applicable Public Employees Retirement  
24.33 Association plans, the increase provided in clauses (1) and (2) are to be applied as of the  
24.34 next successive January until funding stability is again restored.

24.35 (d) An increase in annuity or benefit payments under this section must be made  
24.36 automatically unless written notice is filed by the annuitant or benefit recipient with the

executive director of the Public Employees Retirement Association requesting that the increase not be made.

(e) The retirement annuity payable to a person who retires before becoming eligible for Social Security benefits and who has elected the optional payment, as provided in section 353.29, subdivision 6, must be treated as the sum of a period-certain retirement annuity and a life retirement annuity for the purposes of any postretirement adjustment. The period-certain retirement annuity plus the life retirement annuity must be the annuity amount payable until age 62 for section 353.29, subdivision 6. A postretirement adjustment granted on the period-certain retirement annuity must terminate when the period-certain retirement annuity terminates.

Sec. 30. Minnesota Statutes 2008, section 356.47, subdivision 3, is amended to read:

Subd. 3. **Payment.** (a) Beginning one year after the reemployment withholding period ends relating to the reemployment that gave rise to the limitation, and the filing of a written application, the retired member is entitled to the payment, in a lump sum, of the value of the person's amount under subdivision 2, plus interest at the compound annual rate of six percent from the date that the amount was deducted from the retirement annuity to the date of payment for retirement plans governed by section 352.115, subdivision 10; 354.44, subdivision 5; or 354A.31, subdivision 3, plus interest at the compound annual rate of six percent from the date that the amount was deducted from the retirement annuity to the date of payment or until December 31, 2010, whichever is earlier, for retirement plans governed by section 353.37, and without interest after December 31, 2010, for retirement plans governed by section 353.37.

(b) The written application must be on a form prescribed by the chief administrative officer of the applicable retirement plan.

(c) If the retired member dies before the payment provided for in paragraph (a) is made, the amount is payable, upon written application, to the deceased person's surviving spouse, or if none, to the deceased person's designated beneficiary, or if none, to the deceased person's estate.

(d) In lieu of the direct payment of the person's amount under subdivision 2, on or after the payment date under paragraph (a), if the federal Internal Revenue Code so permits, the retired member may elect to have all or any portion of the payment amount under this section paid in the form of a direct rollover to an eligible retirement plan as defined in section 402(c) of the federal Internal Revenue Code that is specified by the retired member. If the retired member dies with a balance remaining payable under this section, the surviving spouse of the retired member, or if none, the deceased person's

26.1 designated beneficiary, or if none, the administrator of the deceased person's estate may  
26.2 elect a direct rollover under this paragraph.

26.3 Sec. 31. **REPEALER.**  
26.4 Minnesota Statutes 2008, section 353.34, subdivision 3a, is repealed.

26.5 Sec. 32. **EFFECTIVE DATE.**  
26.6 Sections 1 to 31 are effective July 1, 2010.

APPENDIX  
Repealed Minnesota Statutes: 10-5352

**353.34 RIGHTS UPON TERMINATION OF MEMBERSHIP.**

Subd. 3a. **Deferred annuity; certain hospital employees.** Any member employed by a public hospital, as defined in section 355.01, subdivision 3k, who has at least three years of allowable service credit on the date the public hospital is taken over by a private corporation or organization, may elect to receive a deferred annuity pursuant to subdivision 3 notwithstanding the length of service requirement contained therein.